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ORIGIN SNM-02

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 DEAE-00 CIAE-00

INR-07 JUSE-00 NSAE-00 SY-04 TRSE-00 USIA-06 NSC-05

OES-03 OMB-01 IGA-01 AID-05 SS-15 DODE-00 SSO-00

NSCE-00 INRE-00 EB-07 /084 R

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APPROVED BY S/NM:SBVANCE

EUR/SE:BHIRSHORN

USDA:QJONES

IO/HDC:LCAVANAUGH

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA IMMEDIATE

USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L STATE 030056

E.O. 11652: GDS

TAGS: SNAR

SUBJECT: POPPY CONTROL -- FARMER COMPENSATION

REF: A) STATE 26516; B) ANKARA 1054

1. WE AGREE PRICE TO FARMER FOR STRAW IS A KEY QUESTION REQUIRING PRIORITY ATTENTION AND RESOLUTION. IT IS ALSO APPARENT THAT PREPARATIONS FOR NEXT STAGE UN NEGOTIATIONS WITH THE TURKS MUST BE EXPERT AND THOROUGH. AND, FINALLY, QUESTIONS OF "THE WHERE, WHO, WHEN AND HOW" OF THE NEGOTIATIONS MUST LIKEWISE BE CAREFULLY THOUGHT OUT (PARA 2, REF A AND PARA 3B REF B).

2. THE OVERALL CONCEPTUAL FRAMEWORK ON THE PRICE-TO-CONFIDENTIAL

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FARMER PROBLEM AS WE PERCEIVE IT IS AS FOLLOWS:

A) THE "RIGHT PRICE" TO THE FARMER IS THE LOWEST WITH WHICH HE WILL BE HAPPY AND THUS NOT TEMPTED TO DIVERT. (UN TEAM DISCUSSIONS IN ANKARA SUGGEST THIS TO BE IN 12 TO 15 TL PER KILO RANGE.)

B) GIVEN THE TURKISH DECISION TO GROW THE POPPY AGAIN, THE UN INFLUENCED TURKEY TO GO THE STRAW ROUTE INSTEAD OF THE GUM ROUTE AND INDICATED TO THE GOT THAT IT WOULD

CONSIDER PROVIDING SUCH PAYMENT AS MIGHT PROVE NECESSARY TO MAKE UP THE DIFFERENCE BETWEEN ANY LOWER INCOME TO FARMER PROVIDED BY STRAW AS OPPOSED TO GUM, UNTIL TURKISH STRAW TREATMENT PLANT ON STREAM. THIS, THEREFORE, IS THE BASIC PROPOSITION ON WHICH A COMPENSATION FORMULA SHOULD BE DEVELOPED. IT MUST, HOWEVER, SOMEHOW BE APPLIED TO RESULT IN THE "RIGHT PRICE" PER (A) ABOVE.

C) THE CONVERSATIONS ON PRICING IN ANKARA DURING THE SECOND GREENFIELD MISSION WERE UNSATISFACTORY AND INCOMPLETE. TURKS APPEAR TO HAVE BASED THEIR CLAIM FOR COMPENSATION BY COMBINING FIGURES FOR "VALUE OF LABOR LOST" AND "VALUE OF MORPHINE LOST" BY STRAW METHOD AND NOT INCISING. THIS RATIONALE SEEMS DUBIOUS TO US. THE UN, INSTEAD OF FURTHER REACTING TO TMO INITIATIVES ON THE QUESTION, OR TRYING TO DEFER THE QUESTION, MUST, WE BELIEVE, DEVELOP ITS OWN FORMULA AND TAKE IT TO THE TURKS AS THE BASIS FOR DISCUSSION.

D) THE UN FORMULA SHOULD BE DIRECTED AT THE PRICE TO FARMER. THE UN SHOULD OFFER TO MAKE UP THE DIFFERENCE, IF ANY, BETWEEN THE AMOUNT TMO RECEIVES FOR THE STRAW AND THE AMOUNT REQUIRED TO COVER ITS COSTS FOR COLLECTING AND SELLING THE CROP AND PAY THE FARMER HIS FAIR PRICE. UN OFFER SHOULD AVOID TO THE FULLEST EXTENT POSSIBLE ELEMENTS WHICH WOULD ALLOW FOR SUBSIDY TO THE TMO, TRUCKING FIRMS, SHIPPING BROKERS, OTHER MIDDLEMEN, ETC., BUT WOULD PROVIDE FOR ACTUAL COSTS.

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E) THE UN SHOULD TAKE THE POSITION THAT WORLD MARKET PRICES FOR TURKISH POPPY STRAW (WITH ITS RELATIVELY HIGH MORPHINE CONTENT) WILL RESULT IN PRICES WHICH WILL BE BOTH SATISFACTORY TO THE FARMER AND COVER OTHER NORMAL LEGITIMATE FOB COSTS. THUS, THE BASIC UN OFFER SHOULD BE REGARDED AS A CONTINGENCY SHOULD FOR SOME REASON THIS NOT EVENTUATE. ALSO, THIS IS PREDICATED ON THE TURKS ACTUALLY OFFERING THE CROP FOR SALE AT REASONABLE (COST

COVERING) PRICES, RATHER THAN PRICING THEMSELVES OUT OF THE MARKET OR STORING THE CROP.

F) THE GOT MUST PROVIDE THE FIGURES NECESSARY TO ENABLE THE UN TO DETERMINE WHAT LEVEL OF COMPENSATION MAY BE JUSTIFIED.

3. WE FACE A SITUATION IN WHICH THE RELEVANT UN ORGAN IS, INTER ALIA, VERY THINLY STAFFED AND HENCE NEEDS STRONG CONTINUING ASSISTANCE FROM US ON THIS ASPECT.

WE ALSO WISH, OF COURSE, TO AVOID DEALING BILATERALLY WITH THE TURKS ON THIS THORNY ISSUE. DR. QUENTIN JONES, OF THE USDA, PARTICIPATED AS A CONSULTANT TO THE UN IN THE SECOND GREENFIELD TEAM VISIT BECAUSE OF HIS SPECIALIZED KNOWLEDGE. DR. JONES WILL CONTINUE TO BE AVAILABLE TO THE UN BUT WE WOULD HOPE THAT OTHERS WOULD CONDUCT THE ACTUAL NEGOTIATIONS.

4. AS INDICATED PARA 4 REF A, DR. JONES IS PROCEEDING WITH HIS STUDY OF THE MATTER. IN ORDER TO ADVANCE HIS STUDY, HE WOULD LIKE ANSWERS TO FOLLOWING QUESTIONS:
A) COST OF SHIPPING POPPY STRAW FROM IZMIR TO AMSTERDAM;
B) COST OF TRUCKING STRAW FROM AFYON TO IZMIR; AND C)
IF OBTAINABLE WITHOUT ASKING TMO, THE AMOUNT OF THE OPERATING BUDGET OF OPIUM DIVISION OF TMO, BOTH PRESENT AND PROPOSED.

5. COPIES OF DR. JONES' INITIAL DRAFT STUDY HAVE BEEN POUCHED ANKARA AND GENEVA. COMMENTS ON IT REQUESTED AFTER YOU HAVE HAD A CHANCE TO REVIEW IT.

6. WOULD APPRECIATE YOUR EARLY COMMENTS ON THIS MESSAGE.
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SAGE SO THAT THEY MAY BE CONSIDERED PRIOR TO DEPARTURE OF OUR CND DELEGATION, INCLUDING DR. JONES, FOR GENEVA AT THE END OF THIS WEEK.

7. ANKARA PLEASE SUPPLY RESPONSES TO JONES QUESTIONS WHEN AVAILABLE TO BOTH DEPARTMENT AND GENEVA.

8. OUR COMMENTS REGARDING EQUIPMENT AND JOINT INTELLIGENCE CENTER BEING FORWARDED SEPTEL. INGERSOLL

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